North Carolina Department of Health and Human Services
Division of Mental Health, Developmental Disabilities and Substance Abuse Services
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Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary
Leza Wainwright, Director

September 8, 2009

MEMORANDUM

TO: LME Directors
LME Finance Officers

FROM: Leza Wainwright

THRU: William J. Scott, Jr.,
Budget & Finance

RE: SFY 10 Final Continuation Allocation

Attached is the SFY 10 Final Continuation Allocation to Local Management Entities (LMEs) for services and Systems Management funds. This allocation includes the reductions and increases in funding enacted by the General Assembly for SFY 2009-2011. It also includes the additional reduction of five percent (5%) of the certified agency budget outlined by the Governors Executive Order # 21 as a reserve against future economic challenges.

REQUIRED PLAN:
As we discussed at the Area Director's Forum last month, we recognize the severity of these reductions in funding. We must develop plans in partnership to implement these reductions in a manner designed to minimize the negative impact upon consumers and providers. Therfore , we are requesting , that you develop your **LME services' plan for submission and review to the Divison' Budget Office within three weeks of the date of this letter, October 5, 2009**. Please submit your plan electronically to Wanda.Mitchell@ncmail.net . The Division is committed to responding to your plan within one week of submission.

The following criteria should be include in your service plan

- The attached allocations reflect a 10.3% reduction in non-crisis state-funded Cross Area Service Program (CASP) funding. LMEs **may not** impose any further reductions to those funds.
- LMEs **may not** impose reductions to crisis funds including Mobile Crisis, Walk-In clinic and DD START team funding.
- Reductions must be made in **state dollars only**, but in determining how to implement the reductions LMEs should certainly consider the availability of federal service funds.
- The General Assembly was intent on assuring that Local Mangement Entities utilize their fund balances to offset the impact of the funding reductions. Accordingly, the plan must

include information on how much fund balance or county funds will be used to meet this objective and lessen the impact upon consumers. If your plan does not propose to use any fund balance or county funds for this purpose, a detailed explanation should be given as to why those funds are not available and the alternative purposes for which they have been committed.

- The plan should describe the planning process, including how consumers and families were included in the planning process in a meaningful way.
- The plan must include how the reductions will be distributed across each age/disability group and between "UCR" and "non-UCR" types of expenditures. If the plan does not reflect a fairly proportionate reduction across age/disability categories, an explanation of the rationale for that decision should be included.[Note: for non-Single Stream Funding (SSF) LMEs, the plan must include the specific line-items and amounts for each reduction.]
- The plan should include a description of any changes that will be made to the LME's benefit plan, including any changes in target populations served, services that will be reduced or eliminated by target population, and how consumers currently receiving services that are targeted for reduction or elimination or are in target populations that may become more restricted will be transitioned to other services.

INFORMATION INCLUDED:
Included in this package is the following information:

- Individual LME Allocations
- Attachment I: Cross Area Service Program (CASP) Funding, as revised by non-recurring, two year reductions
- Attachment II: Detail by LME and Funding category (Mental Health, Developmental Disability, Substance Abuse, and non-Disability Specific) Expansion/Reduction Funds
- Attachment III: Expansion Funding Purpose and Allocation Methodology
- Attachment IV: LME Request for the Reduction of Funding, non-Single Stream LMEs only
- Attachment V: Summary of LME Funding Reductions by Category

Funding included in this communication consists of last year's SFY 09 "Final" Allocation amount as provided in a memo dated August 19, 2008, with adjustments for subsequent allocations made during SFY 09 noted as recurring increases or decreases. This is the starting point in determining each LME's SFY 10 allocation,

EXPANSION:
The General Assembly appropriated additional recurring dollars for crisis funding for the purchase of local inpatient psychiatric beds in community hospitals. As stated in SB202, Section 10.12.(b) these funds shall not be allocated to LMEs but will be held in a statewide reserve at the Division to pay for services authorized by the LMEs and billed by the hospitals through the LMEs. Guidelines for the use of these funds will be identical to those established in SFY 09 for this same purpose.

Funding was also appropriated on a recurring basis to annualize allocations for Mobile Crisis Teams and START crisis services that were partially funded in SFY 09. Reporting requirements for these expansion dollars will follow thee guidelines already in place for those funds.

EXPANSION FUNDING	SFY 10 Recurring	SFY 11 Recurring
Crisis Services	$12,000,000	$12,000,000
Annualize Mobile Crisis Teams	$1,045,000	$1,045,000
Annualize START	$579,084	$579,084

REDUCTIONS:

Clearly the largest changes included in this package from the SFY 2009 Final Allocations are the reductions. The reductions, in total, are as follows:

REDUCTION IN FUNDING	SFY 10 Recurring	SFY 11 Recurring
Local Management Entities System Management Funds*	($5,245,586)	($6,317,159)
Reduction in State Funds Supplementing CAP-MR/DD	($16,000,000)	($16,000,000)
Non-Core Community Services (CTSP)	($4,017,219)	($4,017,219)

* Total dollar amount based upon reduction in state funding of $3,042,440 and $3,663,952.

REDUCTION IN FUNDING	SFY 10 Non-Recurring	SFY 11 Non-Recurring
State Funded Services	($40,000,000)	($40,000,000)

5% GOVERNOR'S REDUCTION	SFY 10 Non-Recurring
State Funded Services	($15,000,000)

REDUCTION METHODOLOGY:

1. Systems Management Funding: Each LMEs' allocation systems management funding has been reduced by 4.14% the first year and 4.99% the second year.
2. State Funds Supplementing CAP-MR/DD Services: LMEs allocation of developmental disability funds – or amount of funding designated for DD services prior to conversion to Single Stream Funding (SSF) – were reduced based upon a formula which spread the $16 million reduction among LMEs in proportion to the amount of funds they had expended through February, 2009 on state-funded services which supplemented CAP-MR/DD benefits.
3. Non-Core Community Services: This reduction was allocated on a pro rata basis to LMEs based upon their total amount of CTSP funding or the amount of CTSP funding they had received prior to the conversion to SSF.
4. Non-recurring service funds reductions of $55 million for SFY 2009-2010 and $40 million for SFY 2010-2011:
    a. Reduced state-funded, non-crisis CASP funds by 10.3%, or $2,200,000.
    b. Made assumptions regarding the availability of fund balances based upon audited amounts from SFY 2008 and third quarter (March 2009) Fiscal Monitoring Reports.

In total, assumed that $21,875,000 in fund balance and county funding was available to help offset the reductions, based upon the following methodology:

   i. Multi-County LMEs: Did not consider reserved fund balance amounts, fund balances designated for specific purposes such as retiree health insurance or 75% of fund balance amounts reserved for less specific purposes such as "future expenditures" or "provider failure." Did not consider the portion of the resulting unreserved fund balance equal to eight percent (8%) of the current year budget. Estimated that roughly ninety percent (90%) of the remaining fund balance was available to offset reductions, split evenly across each fiscal year.
   ii. Single County LMEs: Reviewed the difference between appropriated and actual expenditure of county funds for the past two years and assumed that the difference contributed to the county's overall fund balance. Did not consider the portion of the unexpended county funds equal to eight percent (8%) of the current year budget. Estimated that roughly ninety percent (90%) of the remaining unexpended county funds from each year was available to offset reductions, split evenly across each fiscal year.

c. Allocated the remaining reduction ($30,925,000 SFY 2009-2010, $15,925,000 SFY 2010-2011) based upon each LMEs total non-CASP state and federal services funding allocation.

CODING CHANGES:

This allocation letter also includes changes in coding certain federal funding sources. This is necessary for the Division to track and report requirements associated with Federal Funds. Revised federal fund codes are:

Federal Funds	**CFDA #**	**FRC**
Mental Health Block Grant	93.958	6X
Substance Abuse Prevention & Treatment Block Grant	93.959	5T
SAPTBG Prevention Set-Aside	93.959	XM
SAPTBG Prevention Set-Aside	93.959	X4

Again, we fully understand the significance of these funding reductions. Although we do not have any additional funds available to help address the concerns, we do stand committed to working together with you to develop and implement plans that minimize the negative impact on consumers and providers. If you have questions as you develop your plans, please contact your LME liaison or Wanda Mitchell at (919) 733-7013 or via e-mail at Wanda.Mitchell@ncmail.net. If you believe that additional data from the IPRS system would be beneficial to you in developing your plan, you may contact Eric Johnson on our IPRS Team at (919) 733-4460 or Eric.Johnson@ncmail.net.

cc:			
	Secretary Lanier Cansler	The Coalition Chair	LME Liaisons
	Allen Feezor	SCFAC Chair	
	Dan Stewart	Sharnese Ransome	
	Executive Leadership Team	Shawn Parker	
	Management Leadership Team	Kaye Holder	
	Yvonne Copeland	Lisa Hollowell	
	Patrice Roesler	Renee McCoy	
	MH Commission Chair	Laketha Miller	